

The Redistributive Impact of the Ontario Budget Among the Five Economic Regions



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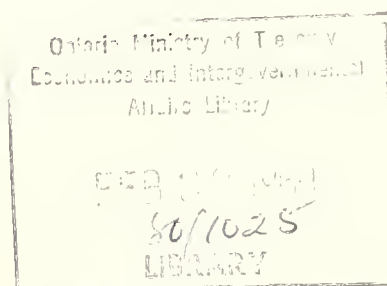
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Ontario Treasury Studies 17

**The Redistributive Impact
of the Ontario Budget
Among the Five Economic
Regions**



Ministry of Treasury and Economics
Taxation and Fiscal Policy Branch
Economic Development Branch
December 1979

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Preface

The analysis of the regional economic impact of public sector activity is an important research priority of the Government of Ontario. Budget Paper E in the *1977 Ontario Budget* titled "Federal Fiscal Redistribution within Canada" was a pioneering study of the regional distribution of the federal government budget. It represented an important contribution to the debate on the financial gains and losses from Confederation.

Subsequently, Ontario Tax Study 15, titled "Reassessing the Scope for Fiscal Policy in Canada", examined briefly the redistributive impact of the Government of Ontario's own budget within the province. Staff Study 15 dealt principally with demonstrating the need for a re-evaluation of traditional thinking on macro fiscal policy at both the federal and provincial levels.

The present study expands upon the redistributive aspect of the Ontario budget. It examines in detail the budget impact within the five major economic regions of the province, i.e. Central, Southwestern, Eastern, Northeastern and Northwestern Ontario. Budgetary revenues and expenditures are allocated for the fiscal years 1972-73, 1974-75 and 1976-77. The analysis focuses on the net fiscal input among regions, the effects of deficit financing and the impact of a zero deficit situation.

The allocation of revenues and expenditures among regions is a complex exercise and there is a lag in producing data. The most up-to-date information available at this time is for 1976-77. Work on more recent years is in progress.

This study is a co-operative effort of the Taxation and Fiscal Policy and the Economic Development Branches of the Ontario Treasury. It was prepared by Nancy Bardecki and Monira Fouad.

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Table of Contents

	PAGE
Introduction	7
1 The Importance of Regional Distribution Research	9
2 Analytical Framework	11
3 The Regional Distribution of Ontario's Budget	13
4 The Regional Impact of Revenue and Expenditure Policies	15
Conclusion	20
Appendix A Ontario's Five Economic Regions by County, District and Regional Municipality (RM)	21
B Methodology for Allocating Expenditures	22
C Methodology for Allocating Revenues	27
D Detailed Breakdown of Revenues	35

List of Tables

3-1 Regional Distribution of Ontario's Budget	13
3-2 Regional Distribution Under a Zero Deficit, 1976-77	14
4-1 Percentage Distribution of Expenditures, Revenues and Population by Economic Region 1972-73 to 1976-77	15
4-2 Budgetary Flows by Region, 1972-73	16
4-3 Budgetary Flows by Region, 1974-75	17
4-4 Budgetary Flows by Region, 1976-77	18
4-5 Provincial Budgetary Expenditures: Summary by Year by Major Budget Items	19
B-1 Budgetary Expenditures by Standard Accounts Classification	22
B-2 Provincial Expenditures: Transfer Payments Distribution	23
C-1 Budgetary Revenues by Source (\$)	27
C-2 Budgetary Revenues by Source (%)	28
C-3 Industry Allocation Factors	29
C-4 Royalties by Source	32
D-1 Detailed Distribution of Revenues, 1972-73	35
D-2 Detailed Distribution of Revenues, 1974-75	36
D-3 Detailed Distribution of Revenues, 1976-77	37

Introduction

The activities of the public sector have a vital impact on economic and social development in Ontario and Canada. The three levels of government work toward the achievement of a wide spectrum of economic and social goals. Included among the goals shared by the federal government and the Government of Ontario are:

- The creation of an environment which fosters economic growth;
- The assurance of an efficient allocation of resources;
- The attainment of a fair distribution of income among Ontario citizens; and
- The promotion of growth and development in all economic regions.

This paper focuses on the goal of regional economic development and the use of the provincial budget as a major lever toward its achievement.



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1 The Importance of Regional Distribution Research

A regional distribution of revenue and expenditure is one of the essential tools in assessing the impact of government policies on growth and development among regions.

Until quite recently, available research in Canada on the regional impact of government budgets has been partial, without the coherent framework of a comprehensive set of regional accounts. In the late 1960's, the Government of Ontario developed a methodology for identifying the proportion of federal government revenues and expenditures related to Ontario. The principal application of these data was in the development of full-employment budget estimates for the province.¹

The Province of Quebec has also conducted regional fiscal analysis in an attempt to establish the interprovincial financial impact of the federal government.² In 1977, Quebec released a study of the provincial impact of the federal budget.³ It claimed that Quebec was a net loser under Confederation. Based on data published by Statistics Canada in the first ever comprehensive set of Provincial Economic Accounts, conclusions of the Quebec study were challenged immediately by the federal government.⁴

Statistics Canada's detailed regional provincial accounts were the outcome of a lengthy co-operative process participated in jointly by all of the provinces, the federal government and Statistics Canada. It is important that these vital accounts be continually modified and improved on a co-operative basis.⁵

In response to the Quebec initiative, the Government of Ontario undertook a much more detailed and comprehensive study of the redistributive impact of the federal government's fiscal activity in Canada. The Ontario study used a considerably broader and more meaningful base than that employed either by Quebec or Statistics Canada.⁶ It utilized three basic sources: the Provincial

¹ For a complete description see forthcoming Ontario Study in Public Finance, "The Record of Fiscal Policy in Ontario and Canada."

² For example, *Gouvernement du Quebec, La part du Quebec dans les dépenses et revenus du gouvernement fédéral de 1960-61 à 1967-68* (Quebec: ministère des Affaires intergouvernementales, services de recherche, 1970).

³ Rodrigue Tremblay, Minister of Industry & Commerce, "Presentation des Comptes économiques du Quebec, 1961-75" (Quebec: Government of Quebec, 1977).

⁴ Hon. Donald MacDonald, "Provincial Economic Accounts", Press Release 77-63 (Ottawa: Dept. of Finance, 1977) p.1.

⁵ "Provincial Economic Accounts 1961 to 1976, (Ottawa: Statistics Canada, 1978) cat. 13-213.

⁶ Hon. W. Darcy McKeough, "Federal Fiscal Redistribution within Canada", Budget Paper E in the 1977 Ontario Budget (Toronto: Ministry of Treasury, Economics & Intergovernmental Affairs, 1977).

Economic Accounts; equalization formula data; and all federal revenues and expenditures as reported in the Public Accounts of Canada, which encompasses the federal government's own accounts and those of its crown corporations.

The Ontario study confirmed Quebec's substantial fiscal benefits in Confederation.

The scope of the regional distribution study initiated in the *1977 Ontario Budget*, has been expanded to examine the fiscal impact of the Government of Ontario on the five economic regions of the province.⁷

⁷ Appendix A delineates in detail the composition of the economic development regions used by the Ontario Ministry of Treasury and Economics.

2 Analytical Framework

There are two distinct conceptual approaches for estimating the allocation of the Ontario budget among the regions of Ontario. One may be termed the “output” approach, the other the “service” approach.¹

The output approach examines governments’ role as a purchaser of goods and services and a distributor of transfer payments. The focus is on whether governments’ revenue and expenditure policies cause funds to flow into or out of a region. That is, it examines governments’ fiscal impact on aggregate demand within a region. In this approach, expenditures are allocated directly to the region where goods and services are purchased and transfer payments are dispensed. Revenues are allocated to the region where they are collected.

The service approach, by contrast, examines governments’ role as a provider of goods and services. The emphasis is placed on the level of services and benefits available. This method aims to allocate revenues and expenditures to the region where the beneficiary or taxpayer normally resides. A major shortcoming of this approach is that it requires numerous value judgements regarding the value and distribution of benefits and the quality of services rendered. These problems do not arise with the output approach.

While it also has its limitations, the output approach is employed for the purposes of this study. This procedure has the advantage of facilitating the evaluation of the Government of Ontario’s role as a stabilizing influence or agent of economic growth among the five economic regions.

Budgetary revenues and expenditures in three indicative years are analyzed:²

- 1972-73 provides a comparative base, since it precedes major regionally oriented fiscal initiatives;
- 1974-75 is examined to evaluate the initial impact of these changes; and
- 1976-77 is analyzed to assess the evolving magnitude of Ontario’s regional initiatives.

¹ These two approaches are clearly distinguished in “Why Do the Balances Differ on Federal Receipts and Expenditures in Quebec?” in *Accent Quebec* (Montreal: C.D. Howe Research Institute, 1977).

² Transactions in the non-budgetary accounts do not generally relate to activities within a single fiscal year. Rather, they are credits and debits on accounts relating to past and future years. The allocation of non-budgetary transactions would thus distort the picture in a single fiscal year.

Table 3-1, page 13 should read:

Regional Distribution of Ontario's Budget
(dollars per capita)

Table 3-1

	North- west	North- east	East	Central	South- west	All Ontario
1972-73						
Total Revenue	856	760	746	792	719	774
Total Expenditure	922	928	821	812	811	825
Net Fiscal Input	66	168	75	20	92	51
1974-75						
Total Revenue	1,205	1,182	947	1,027	930	1,017
Total Expenditure	1,322	1,248	1,215	1,057	1,030	1,096
Net Fiscal Input	117	66	268	30	100	79
1976-77						
* Total Revenue	1,386	1,280	1,186	1,309	1,173	1,272
Total Expenditure	1,819	1,630	1,525	1,381	1,311	1,420
* Net Fiscal Input	433	350	339	72	138	148

Source: Ontario Treasury estimates.

Table 3-2, page 14 should read:

Regional Distribution Under a Zero
Deficit, 1976-77
(dollars per capita)

Table 3-2

	North- west	North- east	East	Central	South- west	All Ontario
* Total Revenue	1,547	1,429	1,324	1,461	1,310	1,420
Total Expenditure	1,819	1,630	1,525	1,381	1,311	1,420
* Net Fiscal Input	272	201	201	-80	1	0

Source: Ontario Treasury estimates.

Notes: 1. In this table, revenue figures are increased to produce the effect of a zero deficit. All revenue sources are raised in proportion to their relative importance in the budget.

2. A negative sign indicates revenue is greater than expenditure.

Lines where figures have been revised are indicated by an '*' at the left margin.

ERRATA

Table 4-1, page 15 should read:

Percentage Distribution of Expenditure, Revenues, and
Population by Economic Region
1972-73 to 1976-77

Table 4-1

	North- west	North- east	Eastern	Central	South- west	All Ontario
1972-73						
Expenditures	3.28	8.56	13.80	59.31	15.05	100.00
Revenues	3.20	7.32	13.40	61.87	14.20	100.00
Population	2.89	7.46	13.90	60.47	15.28	100.00
1974-75						
Expenditures	3.51	8.41	15.44	58.40	14.24	100.00
Revenues	3.39	8.43	12.94	61.36	13.88	100.00
Population	2.86	7.25	13.90	60.80	15.18	100.00
1976-77						
Expenditures	3.51	8.41	15.44	58.40	14.24	100.00
* Revenues	3.08	7.11	12.97	62.92	13.92	100.00
Population	2.82	7.06	13.90	61.11	15.09	100.00

Source: Ontario Treasury estimates

Lines where figures have been revised are indicated by an '*' at the left margin.

Lines 10 and 11 on page 14 should read:

....the net fiscal input to the Northwest was almost three times the provincial average, and the input to the East and Northeast exceeded twice...

ERRATA

Table 4-4, page 18 should read:

Budgetary Flows by Region, 1976-77 (dollars per capita)						Table 4-4
	North- west	North- east	East	Central	South- west	All Ontario
1976-77						
Distribution of Revenue:						
Personal Income Tax	228	197	243	287	216	262
Corporation Taxes	122	127	88	145	141	134
* Resource Taxes	88	80	7	1	1	5
Fuel Taxes*	159	159	79	57	64	71
Retail Sales Tax	183	170	187	230	205	215
Liquor Related Revenues	69	48	52	46	43	45
All Other Revenues**	537	498	530	543	503	540
* Total	1,386	1,280	1,186	1,309	1,173	1,272
Distribution of Expenditure:						
Salaries and Benefits	293	227	145	176	139	173
Direct Operating Expenditures	102	89	66	65	54	66
Acquisition and Construction	129	64	31	32	32	37
Transfers	1,193	1,156	1,168	989	982	1,030
Net Public Debt	95	87	109	113	98	108
Other Expenditures	6	6	6	6	6	6
Total	1,819	1,630	1,525	1,381	1,311	1,420
* Net Fiscal Input	433	350	339	72	138	148

Source: Ontario Treasury estimates.

Note: Figures may not add due to rounding.

*For technical reasons, the Northesast and Northwest have been combined for purposes of fuel Tax calculations.

**The category "all other revenues" is comparised of major revenue sources such as OHIP premiums, federal government transfer payments, tobacco tax, motor vehicle license fees, and a number of smaller revenue sources. These sources show little regional variation.

Lines where figures have been revised are indicated by an '*' at the left margin.

ERRATA

Table D-3, page 37 should read:

Distribution of Revenues, 1976-77						Table D-3
Revenue Source	North- west	North- east	East	Central	South- west	All Ontario
Personal Income Tax	267	238	295	338	269	313
Ontario Tax Credits	(39)	(41)	(52)	(51)	(53)	(51)
Corporation Income Tax	104	109	72	120	121	112
Capital & Premium Taxes	18	18	16	25	20	22
Retail Sales Tax	183	170	187	230	205	215
Mining Profits Tax	33	57	-	-	-	5
* Royalties	55	23	7	1	1	5
Gasoline & Motor Vehicle						
Fuel Taxes	159	159	79	57	64	71
Tobacco Tax	13	15	18	20	19	19
Succession Duties	7	6	8	8	7	8
Land Transfer Tax	4	3	5	7	5	6
Race Tracks Tax	-	1	1	6	6	5
Public Utilities Income Tax	-	-	1	-	2	1
OHIP Premiums	93	103	95	97	95	97
Liquor Related Revenues	69	48	52	46	43	46
Lottery Profits	8	10	7	10	8	9
Vehicle Registration Fees	29	28	25	26	32	27
Other Revenues	36	36	36	36	36	36
Federal Transfers						
Fed. Transfers for HIDS						
& Medicare	143	128	158	182	144	168
Economic Development	26	1	1	-	-	1
Fed. Transfers for CAP	81	75	66	53	51	57
Fed. PSE Adjustment	22	16	33	23	23	24
Other Federal Transfers	20	21	21	21	21	21
Interest on Investments	54	54	54	54	54	54
* TOTAL	1,386	1,280	1,186	1,309	1,173	1,272

Source: Ontario Treasury estimates.

Note: Sums may not add due to rounding.

Lines where figures have been revised are indicated by an '*' at the left margin.

3 The Regional Distribution of Ontario's Budget

One of the most important indicators for evaluating the relative impact of the Ontario budget among the economic regions of the province is the gap between per capita revenue and per capita expenditure.¹ This gap can be termed “net fiscal input” where expenditures are greater than revenues and “net fiscal drain” where revenues exceed expenditures.²

When the budget is in balance, a net fiscal input in some regions must be accompanied by a net fiscal drain in one or more regions. That is, where one area receives expenditures in excess of revenues, this net fiscal input must be financed by revenues in excess of expenditures in some other region.

During a year when the budget is in a deficit position, a net fiscal input into all regions is possible in that year. It must be emphasized that at some time in the future, the borrowing and debt service must be repaid by revenues in excess of expenditures in some or all regions.

The changing magnitude of net fiscal input over time and its relative size among regions are key measures of the impact of the provincial budget in shaping regional growth and development.

Table 3-1 shows per capita budgetary revenue and expenditure and the associated net fiscal input for the fiscal years 1972-73, 1974-75 and 1976-77. It reveals some significant patterns.

Regional Distribution of Ontario's Budget						Table 3-1
(dollars per capita)						
	North-west	North-east	East	Central	South-west	All Ontario
1972-73						
Total Revenue	856	760	746	792	719	774
Total Expenditure	922	928	821	812	811	825
Net Fiscal Input	66	168	75	20	92	51
1974-75						
Total Revenue	1,205	1,182	947	1,027	930	1,017
Total Expenditure	1,322	1,248	1,215	1,057	1,030	1,096
Net Fiscal Input	117	66	268	30	100	79
1976-77						
Total Revenue	1,338	1,292	1,187	1,310	1,174	1,272
Total Expenditure	1,819	1,630	1,525	1,381	1,311	1,420
Net Fiscal Input	481	338	338	71	137	148

Source: Ontario Treasury estimates.

¹ Regional revenues and expenditures are shown on a per capita basis to neutralize the effects of differing populations among regions and over time.

² This is analogous to the net fiscal amount and net fiscal incidence in Irwin Gillespie's study, "The Incidence of Taxes and Public Expenditures in the Canadian Economy." for the Royal Commission on Taxation (Ottawa: Queen's Printer, 1966).

In 1972-73, the net fiscal input in the Northwest and Eastern regions was slightly above the provincial average. The transfer to the Northeast was about three times the average for the province.

The relative position of the regions remained similar in 1974-75, but the magnitude of support for the Northern and Eastern regions increased substantially. The Eastern region had the highest net fiscal input and the Northwestern region ranked second. Central Ontario continued to obtain the smallest net fiscal input.

By 1976-77, the thrust toward the Northern and Eastern regions strengthened significantly. The net fiscal input to the Northwest was at least three times greater than the provincial average, and the input to the East and Northeast exceeded twice the average for the province.

Perhaps the most striking feature of the information shown in this table is that there were no net transfers of tax dollars from one region to another. The provincial budget was in a deficit position in all three years and this allowed a situation where no region generated greater revenue than it received in expenditure.

It is not possible to say with certainty what the distributional effects of a zero deficit would be. The budget plan must respond to the changing economic and social environment. As changes evolve, priorities are reassessed. Some government programs may be eliminated or trimmed while other new programs may be introduced as needs arise. Tax rates in Ontario may be altered either up or down.

Keeping in mind these uncertainties it is, nevertheless, interesting to examine the redistributive implications of a zero deficit situation. Table 3-2 presents the results of a neutral revenue adjustment to create a hypothetical balanced budget in the 1976-77 fiscal year. All revenues are raised by an equal proportion to equate total revenues to total expenditures.

Regional Distribution Under a Zero Deficit, 1976-77
(dollars per capita)

Table 3-2

	North-west	North-east	East	Central	South-west	All Ontario
Total Revenue	1,493	1,442	1,325	1,462	1,310	1,420
Total Expenditure	1,819	1,630	1,525	1,381	1,311	1,420
Net Fiscal Input	326	188	200	-81	1	0

Source: Ontario Treasury estimates.

- Notes: 1. In this table, revenue figures are increased to produce the effect of a zero deficit. All revenue sources are raised in proportion to their relative importance in the budget.
2. A negative sign indicates revenue is greater than expenditure.

These figures suggest that even in a balanced position, the Ontario budget would continue to have a strong regional influence. Southwestern Ontario is about at par. There are implicit flows from Central Ontario, with its highly developed and diversified economy. And, there continues to be a positive net fiscal input into the less-developed regions of the province, the North and the East.

4 The Regional Impact of Revenue and Expenditure Policies

Ontario’s taxation and expenditure policies have played an instrumental role in promoting growth and development among the province’s five economic regions.¹

The percentage shares of total Ontario Government revenue raised and expenditure made in each economic region is displayed in Table 4-1. The percentage share of Ontario’s population resident in each region is also presented here for purposes of comparison.

Percentage Distribution of Expenditures, Revenues, and Population by Economic Region 1972-73 to 1976-77						Table 4-1
	North- west	North- east	Eastern	Central	South- west	All Ontario
1972-73						
Expenditures	3.28	8.56	13.80	59.31	15.05	100.00
Revenues	3.20	7.32	13.40	61.87	14.20	100.00
Population	2.89	7.46	13.90	60.47	15.28	100.00
1974-75						
Expenditures	3.51	8.41	15.44	58.40	14.24	100.00
Revenues	3.39	8.43	12.94	61.36	13.88	100.00
Population	2.86	7.25	13.90	60.80	15.18	100.00
1976-77						
Expenditures	3.51	8.41	15.44	58.40	14.24	100.00
Revenues	2.97	7.18	12.97	62.95	13.93	100.00
Population	2.82	7.06	13.90	61.11	15.09	100.00

Source: Ontario Treasury estimates.

¹ In a study sponsored by the Ontario Economic Council, input-output analysis is applied to determine the impact of Ontario Government fiscal policies on output and employment in Ontario’s economic regions. This approach is an ambitious contribution to regional studies. However, the value of the results is constrained by limitations of input-output data (as well as the fact that data are for 1965), difficulties in developing incidence assumptions, and fiscal policy multipliers which do not take into account structural changes in recent years. Also, this study examines revenue and expenditure policies of the Government from 1972-73 and earlier. Thus, it fails to capture the thrust of the major regionally oriented changes which are documented in this study: R. Boadway, A.A. Kubursi, J.M. Treddenick, edited by John Bossons, *Input-Output Analyses of Fiscal Policy in Ontario* (Toronto: Ontario Economic Council, 1978).

In 1976-77, the Northwest region, with 2.8 per cent of Ontario's population, provided 3.0 per cent of total provincial revenue and was the location for 3.5 per cent of total provincial spending. Central Ontario, by contrast, with 61.1 per cent of Ontario's population, provided 63.0 per cent of revenues and was the location for 58.4 per cent of total provincial spending. In both instances the share of revenue is much closer to the share of population than is the share of expenditure. This highlights the key role of expenditure programs in attaining the redistributive effects among Ontario's five economic regions.

Revenues and expenditures are summarized and presented by principal categories in Tables 4-2 through 4-4. These tables make possible a more detailed assessment of the pattern of revenues and expenditures which developed between 1972 and 1976.² They illustrate the trend towards a growing net fiscal input of the government in the Northern and Eastern regions.

Budgetary Flows by Region, 1972-73
(dollars per capita)

Table 4-2

	North- west	North- east	East	Central	South- west	All Ontario
1972-73						
Distribution of Revenue:						
Personal Income Tax	133	118	150	166	134	154
Corporation Taxes	52	55	45	76	68	67
Resource Taxes	45	38	5	1	0	5
Fuel Taxes*	137	137	70	50	55	62
Retail Sales Tax	95	81	105	124	106	115
Liquor Related Revenues	49	37	36	32	25	33
All Other Revenues**	345	294	335	343	331	338
Total	856	760	746	792	719	774
Distribution of Expenditure:						
Salaries and Benefits	179	139	96	103	88	104
Direct Operating Expenditures	63	61	42	48	37	47
Acquisition and Construction	43	39	30	28	28	30
Transfers	593	653	601	578	610	592
Net Public Debt	43	36	52	54	48	51
Other Expenditures	1	1	1	1	1	1
Total	922	928	821	812	811	825
Net Fiscal Input	66	168	75	20	92	51

Source: Ontario Treasury estimates.

Note: Figures may not add due to rounding.

*For technical reasons, the Northeast and Northwest have been combined for purposes of Fuel Tax calculations.

**The category "all other revenues" is comprised of major revenue sources such as OHIP premiums, federal government transfer payments, tobacco tax, motor vehicle license fees, and a number of smaller revenue sources. These sources show little regional variation.

² A more detailed breakdown of revenues is shown in appendix D.

Budgetary Flows by Region, 1974-75
(dollars per capita)

Table 4-3

	North- west	North- east	East	Central	South- west	All Ontario
1974-75						
Distribution of Revenue:						
Personal Income Tax	167	139	181	198	163	185
Corporation Taxes	99	103	74	122	112	112
Resource Taxes	171	232	6	1	1	23
Fuel Taxes*	158	158	80	57	67	71
Retail Sales Tax	164	145	171	210	186	195
Liquor Related Revenues	54	42	40	40	25	38
All Other Revenues**	392	363	395	399	376	393
Total	1,205	1,182	947	1,027	930	1,017
Distribution of Expenditure:						
Salaries and Benefits	215	168	123	128	115	131
Direct Operating Expenditures	135	87	72	63	55	67
Acquisition and Construction	71	48	41	48	34	46
Transfers	834	882	905	741	755	779
Net Public Debt	67	62	73	76	70	73
Other Expenditures	1	1	1	1	1	1
Total	1,322	1,248	1,215	1,057	1,030	1,096
Net Fiscal Input	117	66	268	30	100	79

Source: Ontario Treasury estimates.

Note: Figures may not add due to rounding.

*For technical reasons, the Northeast and Northwest have been combined for purposes of Fuel Tax calculations.

**The category "all other revenues" is comprised of major revenue sources such as OHIP premiums, federal government transfer payments, tobacco tax, motor vehicle license fees, and a number of smaller revenue sources. These sources show little regional variation.

Expenditures

Transfer payments and salaries and benefits are the two expenditure categories which account for the greatest redistributive impact in the five-year period from 1972 to 1976. In 1976-77, they represented 85 per cent of the budget as Table 4-5 shows. This thrust reflects the Government of Ontario's commitment to ensure the most uniform possible access to government services throughout the province. Also reflected are specific regionally oriented initiatives in regular ministry programs and the Regional Priority Budget.

Transfer payments have the most substantial redistributive impact. The initial thrust toward achieving regional goals through transfer policies began in 1973. At this time, the Government established the Regional Priority Budget³ as a special instrument to assist regional economic development. The Regional Priority Budget is used to finance projects of regional importance above and beyond the priorities of the Ministries. A total of \$85.5 million was allocated through the Regional Priority Budget between 1973 and 1976. About 75 per cent of the expenditure was in the

³ This budget was created by Cabinet authorization in 1973.

Budgetary Flows by Region, 1976-77
(dollars per capita)

Table 4-4

	North- west	North- east	East	Central	South- west	All Ontario
1976-77						
Distribution of Revenue:						
Personal Income Tax	228	197	243	287	216	262
Corporation Taxes	122	127	88	145	141	134
Resource Taxes	40	93	8	2	2	5
Fuel Taxes*	159	159	79	57	64	71
Retail Sales Tax	183	170	187	230	205	215
Liquor Related Revenues	69	48	52	46	43	45
All Other Revenues**	537	498	530	543	503	540
Total	1,338	1,292	1,187	1,310	1,174	1,272
Distribution of Expenditure:						
Salaries and Benefits	293	227	145	176	139	173
Direct Operating Expenditures	102	89	66	65	54	66
Acquisition and Construction	129	64	31	32	32	37
Transfers	1,193	1,156	1,168	989	982	1,030
Net Public Debt	95	87	109	113	98	108
Other Expenditures	6	6	6	6	6	6
Total	1,819	1,630	1,525	1,381	1,311	1,420
Net Fiscal Input	481	338	338	71	137	148

Source: Ontario Treasury estimates.

Note: Figures may not add due to rounding.

*For technical reasons, the Northeast and Northwest have been combined for purposes of Fuel Tax calculations.

**The category "all other revenues" is comprised of major revenue sources such as OHIP premiums, federal government transfer payments, tobacco tax, motor vehicle license fees, and a number of smaller revenue sources. These sources show little regional variation.

Northwestern region and 18 per cent in the Eastern region. The bulk of this spending was toward water, sewerage and road servicing projects.

Also in 1973, the Ontario Government introduced new revenue sharing assistance with municipalities.⁴ This new assistance aimed to increase the capacity of municipalities to provide comparable levels of service.

Included in this assistance was the Property Tax Stabilization Plan, designed to compensate for wide local variations in the potential municipal tax base. The Plan incorporates "Special Support Grants for Northern Municipalities". This grant, which has been enriched on several occasions since 1973, has provided northern municipalities with assistance over and above the general support provided to all Ontario municipalities.

The gradual increase in grants to school boards was another major initiative. The actual level of support received by each municipality is calculated on the basis of equalized assessment. The formula thus favours the Northern and Eastern regions which have below average property tax assessment per pupil.

⁴ Hon. John White, *1973 Ontario Budget Statement* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, (1973) p. 41.

Provincial Budgetary Expenditures: Summary
By Year By Major Budget Items
(per cent of totals)

Table 4-5

	1972-73	1974-75	1976-77
Salaries & Benefits	12.6	11.9	12.2
Direct Operating Expenditures	5.7	6.1	4.6
Acquisition & Construction	3.6	4.1	2.6
Transfers	71.1	71.1	72.6
Public Debt	6.3	6.7	7.5
Other Expenditures	.1	.1	.4
Total	100.0	100.0	100.0

Source: Ontario Treasury estimates.

Note: Direct Operating Expenditures combine spending on Transportation and Communication, Services, Supplies and Equipment net of recoveries.

Salaries and wages are second in importance to transfer payments in creating the redistributive pattern of expenditures among the regions.

As Tables 4-2 to 4-4 show, per capita expenditures on civil service employment are highest in the Northern regions in all three years examined.

Revenues

On the whole, tax policy in Ontario is not designed specifically to accomplish regional goals. However, because of regional variations in both income and economic activities, some revenue sources do show significant regional variations.

Most of Ontario's mining and forestry industries are in the north and as a consequence, mining taxes and royalties have a specific regional impact. Major changes in resource taxation and pronounced fluctuations in natural resource markets have had significant impact on the Northern regions. At the same time, however, these factors have had a modest influence on overall Ontario revenue. This contrast was evident in 1974-75. The introduction of a new provincial mining tax system with a progressive rate structure coupled with the world wide surge of mineral prices produced exceptionally high revenue yields in that year. This pushed the overall revenue yield in Northeastern Ontario to a place second only to Northwestern Ontario from a position below the provincial average in 1972-73. The high revenue yield in the Northeast outweighed the high expenditure effects and drew net fiscal input below the provincial average in 1974-75.

Central and Southwestern Ontario have above average yields in the base taxes — personal income tax, corporation taxes and retail sales tax. This revenue performance is indicative of a diversified economic structure in these regions. Overall revenue yields have grown more rapidly in Central and Southwestern Ontario than in the province as a whole, reflecting the greater "natural revenue growth" of the base taxes.

Conclusion

This study confirms that Ontario's overall fiscal strategy is consistent with the Province's objectives for regional economic development.

It represents a contribution to evaluating progress to date, and to developing an appropriate strategy to promote the redistribution of resources and growth. The principal conclusions to be drawn from this analysis are:

- The Ontario budget plays an instrumental role in redistributing resources among the five economic regions of the province;
- Throughout the period studied, the major redistributive thrust was toward the Northern and Eastern regions;
- The magnitude of the redistribution increased significantly as a result of major fiscal changes; and
- Even with a zero deficit, the Ontario budget has potential to promote economic growth and development in all economic regions.

It should be noted that further redistributive initiatives have been instituted since the period covered in this analysis. Automobile registration fees have been reduced to \$10 for all passenger cars and motorcycles registered in the Parry Sound District and all areas north of the French River.¹ The Ministry of Northern Affairs has been formed to co-ordinate provincial activities in the north and to identify special needs of that area. Also, since 1976, the Regional Priority Budget has been increased.

¹ Hon. W. Darcy McKeough, Budget Statement, *1977 Ontario Budget* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1977).

Appendices

Appendix A

Ontario's Five Economic Regions by County, District and Regional Municipality (RM)

Central Ontario

Brant
Dufferin
Durham (RM)
Haldimand-Norfolk (RM)
Haliburton
Halton (RM)
Hamilton-Wentworth (RM)
Muskoka (DM)
Niagara (RM)
Northumberland
Peel (RM)
Peterborough
Simcoe
Toronto (RM)
Victoria
Waterloo (RM)
Wellington
York (RM)

Southwestern Ontario

Bruce
Elgin
Essex
Grey
Huron
Kent
Lambton
Middlesex
Oxford
Perth

Eastern Ontario

Frontenac
Hastings
Lanark
Leeds & Grenville
Lennox & Addington
Ottawa-Carleton (RM)
Prescott & Russell
Prince Edward
Renfrew
Stormont, Dundas & Glengarry

Northeastern Ontario

Algoma
Cochrane
Manitoulin
Nipissing
Parry Sound
Sudbury (District)
Sudbury (RM)
Timiskaming

Northwestern Ontario

Kenora
Rainy River
Thunder Bay

Appendix B

Method of Allocating Expenditures

The following is a detailed description of the methodology used for allocating various expenditure programs.

In general, the allocation of provincial expenditures is based on accounting data detailing the actual location of where provincial dollars are spent. A significant portion of these data are supplied in the Ontario Public Accounts. Accordingly, the regional allocation of provincial expenditures follows the same Standard Accounts Classification utilized in the Public Accounts. Table B-1 shows the importance of various accounts in relation to total budgetary expenditures.

Budgetary Expenditures by Standard Accounts Classification (\$ million)		Table B-1		
	1972-73	1974-75	1976-77	
Salaries and Wages	736.6	939.9	1,241.3	
Employee Benefits	78.3	111.0	187.7	
Transportation and Communication	51.5	74.2	81.7	
Services	176.2	259.0	338.4	
Supplies and Equipment	137.9	204.1	226.5	
Acquisition/Construction of Physical Assets	233.3	366.1	303.5	
Transfer Payments	4,628.1	6,263.6	8,520.1	
Other Transactions	482.0	698.1	1,121.1	
Less Recoveries	43.6	94.4	99.0	
Total	6,480.3	8,821.6	11,921.2	

Source: Ontario Public Accounts.

Note: The categories Transportation and Communication, Services, Supplies and Equipment net of recoveries have been shown earlier as a consolidated category 'Direct Operating Expenditure'.

The following sections provide a description of the allocation of each major category in the Public Accounts.

1. Salaries and Benefits

Consistency with the output approach adopted in this study requires regional allocation of Salaries and Benefits based on the place of work of the provincial civil servant. Detailed financial data are available only by the employees' place of residence. This shortcoming in the data will not bias the results of this research significantly since none of the Province's major employment centres are located on the boundaries of the economic regions.

Total spending on Salaries and Benefits, is derived from two employment categories: classified and unclassified staff. The former category refers to permanent full-time positions and represents greater than 80 per cent of total expenditure for this item. The regional distribution of classified staff is reasonably stable. Less stable

is the regional distribution of unclassified staff for whom the demand varies, depending to some degree on the special needs arising in various regions.

The regional distribution of Salaries and Benefits for the classified staff is used in allocating all spending for this item.

2. Transfer Payments

Transfer Payments¹ is the largest expenditure item. Detailed financial information on these payments is available from the Ministries responsible.

Provincial Expenditures: Transfer Payments Distribution **Table B-2**
By Year; By Ministry
(per cent of totals)

	1972-73	1974-75	1976-77
General Government	0.00	0.00	0.00
Government Services	0.09	0.13	0.17
Northern Affairs	0.00	0.00	0.00
Revenue	0.00	0.96	1.38
Treasury, Economics and Intergovernmental Affairs*	3.15	5.12	5.56
Justice Policy Field	0.00	0.00	0.00
Attorney General	0.26	0.29	0.30
Consumer and Commercial Relations	0.05	0.06	0.06
Correctional Services	0.07	0.04	0.03
Solicitor General	0.02	0.03	0.01
Resources Policy Field	0.00	0.00	0.00
Agriculture and Food	1.15	1.02	1.25
Energy	0.00	0.00	0.00
Environment	0.05	0.13	0.21
Housing	0.45	0.92	1.63
Industry and Tourism	0.09	0.16	0.11
Labour	0.00	0.00	0.00
Natural Resources	0.49	0.52	0.41
Transportation and Communications	5.06	5.37	5.72
Social Development Policy Field	0.00	0.00	0.00
Colleges and Universities	14.47	13.82	13.40
Community and Social Services	8.59	8.70	9.07
Culture and Recreation	0.54	0.87	1.39
Education	27.46	24.70	22.48
Health	38.01	37.17	36.83
Total	100.00	100.00	100.00

Source: Ontario Treasury estimates.

Notes: 1. Ministry codes follow the Public Accounts except for General Government.

2. General Government combines Premier's Office; Lieutenant Governor; Cabinet; Ombudsman; Speaker; . . . etc.

*In 1977, the Ministry of Northern Affairs was created and in 1978, TEIGA was divided into the Ministry of Treasury and Economics and the Ministry of Intergovernmental Affairs. In the fiscal years under study the northern portion of the regional priority budget and unconditional grants to municipalities were included in the estimates of TEIGA.

¹ Transfers include payments to other governments, boards, and agencies and persons, and public service pensions.

Over 95 per cent of transfer spending is allocated according to the actual location of the transfers. The remaining 5 per cent is allocated using proxy variables. The allocation of transfers is documented and calculated as follows:

Ministry of Government Services: Superannuation payments allocated on the same basis as total Salaries and Benefits.

Ministry of Treasury, Economics and Intergovernmental Affairs: Unconditional Grants to municipalities and the Regional Priority Budget allocated on the basis of detailed data by municipality from the Ministry.

Ministry of Revenue: Guaranteed Annual Income (GAINS) payments to low income pensioners allocated using postal code information from the cheque mailing list.

Ministry of Attorney General: Expenditures on Legal Aid by the Ministry allocated on the basis of detailed data from the Law Society of Upper Canada.

Ministry of Consumer and Commercial Relations: Payments for Race Track Sharing arrangements allocated on the same basis as the regional revenue generated from race tracks tax.

Ministry of Correctional Services: Grants to Training Schools detailed in Volume III of the Public Accounts.

Ministry of Agriculture and Food: Expenditures on such grants as Ontario Beef Cattle Performance Association, Ontario Soil and Crop Improvement Association, allocated according to other Ministry expenditures which are shown in the Public Accounts.

Ministry of the Environment: Grants for Pollution Abatement allocated on the basis of company location. Expenditures by the Ministry on the upkeep of water and sewerage facilities come from department ledgers where they are detailed by municipality.

Ministry of Housing: Expenditures by Ontario Housing allocated according to detailed listings. First Home Buyers Grants allocated according to regional information in Budget Paper A of the *1976 Ontario Budget*.

Ministry of Industry and Tourism: Miscellaneous grants by this Ministry shown in Volume III of the Public Accounts.

Ministry of Natural Resources: Grants to municipalities and Conservation Authorities shown in Volume III of the Public Accounts.

Ministry of Transportation and Communications: Expenditures on Roads and other Transit based on detailed information from the Ministry.

Ministry of Colleges and Universities: Payments made under the Ontario Student Assistance Program (OSAP) allocated on the basis of detailed listings by institution. Grants made to universities and colleges for operations and for specialized training listed in Volume III of the Public Accounts by institution.

Ministry of Culture and Recreation: Grants for Libraries and Cultural Support allocated on the basis of detailed listings from the Ministry.

Ministry of Community and Social Services: Expenditures on Community Services, Provincial Benefits and Municipal Allowances detailed in Volume III of the Public Accounts.

Ministry of Education: Payments allocated on the basis of detailed data supplied by the school boards. The Teachers' Superannuation payments allocated on the basis of the regional distribution of school teachers provided in the *Educational Statistics* published by the Ministry of Education.

Ministry of Health: Ontario Health Insurance Plan (OHIP) payments by the Ministry allocated on the basis of detailed information by district offices provided in the "OHIP Practitioner Care Statistics" published by the Ministry of Health. Payments for operation of hospitals, home care, . . .etc. detailed in Volume III of the Public Accounts.

Other Ministries: Miscellaneous small grants made by other Ministries allocated according to detailed information in Volume III of the Public Accounts.

General Government: Small transfers occasionally paid by the Policy Development Secretariats, the Cabinet Office, the Management Board, . . .etc., allocated according to population.

Where regional information from the various Ministries does not correspond directly to the economic regions, an adjustment is made on the basis of population.

3. Acquisition and Construction

Provincial expenditures for Acquisition and Construction are allocated on the basis of detailed financial information which indicates the location of facilities. Over 85 per cent of each ministry's expenditures are explicitly accounted for.²

4. Other Transactions

Expenditures under this Standard Account comprise two categories: interest payments on the public debt and a remainder. Consistency with the output approach requires that debt service expenditures be allocated to the region where the recipients of interest payments reside. The majority of Ontario's borrowing is from non-public sources such as the Canada Pension Plan Fund. Debt service expenditures are allocated according to income, a proxy for claims on these pension funds.

The remaining items in this category are allocated according to population.

5. Transportation and Communication, Services, Supplies and Equipment net of Recoveries

The following steps are followed in determining the regional impact of provincial expenditures under these Standard Accounts.

² In Ministries such as Correctional Services and Culture and Recreation, these expenditures are relatively small in comparison to total spending in this category (e.g. in 1976-77, these two ministries accounted for only \$0.575 million of this year's total \$303.5 million in acquisition and construction). Non-detailed expenditures are allocated on the basis of regional population for these two Ministries.

- Total expenditures in Transportation and Communication, Services, and Supplies and Equipment are combined into one category named Direct Operating Expenditures (DOE).
- Recoveries from other ministries are deducted from total expenditures in the DOE of every ministry.
- Efforts to obtain detailed information are focused on the ministries with relatively high shares in DOE. Accordingly, the DOE by the Ministries of Government Services and Transportation and Communications are allocated on the basis of detailed financial information by region.
- The remainder of DOE by other ministries is allocated on the basis of the distribution of other total provincial expenditures. This allocation rule assumes that differences between place of purchase and consumption of services for these expenditures is not critical at the regional level.³

Data Sources

1. Salaries and Wages

Information is obtained from payroll tapes.

2. Transportation and Communication, Services, Supplies and Equipment

Detailed information was obtained from Ministry of Government Services and Ministry of Transportation and Communications.

3. Acquisition and Construction

Detailed information was supplied by various Ministries.

4. Transfer Payments

1. Ontario Public Accounts, Volume III.
2. Government Services: Public Service Superannuation Allowance — same distribution as Salaries and Wages.
3. Revenue: Guaranteed Annual Income System. Data by postal code.
4. Attorney General: Legal Aid — special list from Law Society of Upper Canada.
5. Agriculture and Food: Assorted lists.
6. Housing: OHC Property Management Subsidies — OHC Blue Book.
7. Community and Social Services: "Expenditures by Municipality" (A Ministry publication).
8. Education: Teachers' Superannuation Allowance — based on the number of teachers by county as printed in "Education Statistics".
9. Health: OHIP — "OHIP Practitioner Care Statistics".
10. Treasury, Economics and Intergovernmental Affairs: The "Grants Register".

³ In order to measure the true impact of Government purchases on economic development, the outlay for each purchase should be allocated according to the share of value added in each region. Due to data limitations total expenditure is allocated to the region where the final producer or seller of the goods or services is located.

Appendix C

Method of Allocating Revenues

Using the output approach, revenues are allocated to the regions where they are collected. Ideally, accounting information from tax returns should be used. There are problems with this method in most cases. For example, retail sales tax should be allocated to the region in which the establishment that collects the tax is located. However, many retail establishments are part of a chain, and the tax return for all establishments is filed from the firm’s head office. Only in the cases of the Personal Income Tax, Ontario Tax Credits, Land Transfer Tax and Public Utilities Income Tax is it possible to use accounting information. It is therefore necessary to distribute revenues according to available social and economic indicators. The general method followed is completed in three steps:

- (1) a base which reflects the revenue generating capacity with respect to a given revenue source is selected;
- (2) a regional distribution of the base or a reliable proxy of the base is derived; and

Budgetary Revenues by Source		Table C-1		
(\$ million)				
	1972-73	1974-75	1976-77	
Personal Income Tax	1,205	1,794	2,586	
Ontario Tax Credits	-	(306)	(418)	
Corporation Income Tax	448	757	927	
Capital & Premium Taxes	79	142	183	
Retail Sales Tax	895	1,569	1,775	
Mining Profits Tax	17	153	42	
Gasoline & Motor Vehicle Fuel Taxes	487	572	587	
Race Tracks Tax	24	34	41	
Tobacco Tax	96	101	157	
Succession Duties & Estate Tax	84	78	62	
Public Utilities Income Tax	36	8	6	
OHIP Premiums	520	548	799	
Liquor Related Revenues	254	309	393	
Lottery Profits	-	-	76	
Vehicle Registration Fees	170	187	223	
Royalties	26	36	42	
Other Taxes & Revenues	235	321	353	
Federal Transfers	1,246	1,517	2,235	
Interest on Investments	224	356	445	
Total	6,046	8,176	10,514	

Source: Ontario Public Accounts.

(3) this distribution is applied to total revenue from the given source to arrive at the regional distribution of revenue collections.

The bases, selected to reflect revenue generating capacity, are an adequate guide for revenue allocation, particularly for the largest revenue sources. Table C-1 lists the sources of budgetary revenue for the Province of Ontario and shows their magnitude. And table C-2 shows their relative importance in the revenue structure.

Budgetary Revenues by Source		Table C-2		
(per cent)				
	1972-73	1974-75	1976-77	
Personal Income Tax	19.9	21.9	24.6	
Ontario Tax Credits	-	(3.7)	(4.0)	
Corporation Income Tax	7.4	9.2	8.8	
Capital & Premium Taxes	1.3	1.7	1.7	
Retail Sales Tax	14.8	19.2	16.9	
Mining Profits Tax	.3	1.9	.4	
Gasoline & Motor Vehicle Fuel Taxes	8.0	7.0	5.6	
Race Tracks Tax	.4	.4	.4	
Tobacco Tax	1.6	1.2	1.5	
Succession Duties & Estate Tax	1.4	1.0	.6	
Public Utilities Income Tax	.6	.1	.1	
OHIP Premiums	8.6	6.7	7.6	
Liquor Related Revenues	4.2	3.8	3.7	
Lottery Profits	-	-	.7	
Vehicle Registration Fees	2.8	2.3	2.1	
Royalties	.4	.4	.4	
Other Taxes & Revenues	3.8	3.9	3.3	
Federal Transfers	20.6	18.6	21.3	
Interest on Investments	3.7	4.3	4.2	
Total	100.0	100.0	100.0	

Source: Ontario Public Accounts.

The following sections describe the bases selected to reflect revenue generating capacity and show the method of calculating the distributive series for each revenue source.

Publications used as data sources are referenced at the end of this appendix.

Personal Income Tax and Ontario Tax Credits

Accounting information which closely reflects the regional distribution of tax payments is available. Total federal and provincial income tax payments and Ontario Tax Credit receipts according to region of residence at the time of filing are found in the Green Book sample of income tax records for Ontario.

Corporation Taxes

In this paper, the corporation itself is assumed to be a tax paying entity. Tax is allocated according to corporate activity. Where possible, corporate activity is

defined using a method similar to that used to allocate corporate revenue among the provinces of Canada.¹

The general procedure is as follows. The ratio of wages and salaries in each region to wages and salaries in the province as a whole is established. Similarly, the ratio of corporate revenue in each region to revenue in the province as a whole is determined. The average of these two ratios defines the share of corporate activity within each region. These distributive shares are applied to corporate income taxes, capital taxes and premium taxes.

Since the relationship between wages, revenues, profits, paid-up capital and taxes varies considerably among industries, corporations are broken down into ten major industrial classifications: agriculture; forestry and fishing; mining and oil; manufacturing; construction; transportation and other utilities; wholesale trade; retail trade; finance; services; and dormant unspecified. The largest category, manufacturing, is further divided into twenty-one subclassifications: food, beverages, tobacco products, rubber and plastics, leather products, textiles, knitting, clothing, wood, furniture and fixtures, paper and allied, printing and publishing, primary metals, metal fabricating, machinery, transport equipment, electrical products, non-metallic mineral products, petroleum and coal products, chemicals and chemical products, and miscellaneous.

Where either wages and salaries or gross revenues are not available, activity is distributed according to the available factor or a close proxy.

Table C-3 shows the factors available to allocate activity in the various industries.

Industry Allocation Factors		Table C-3
Industry	Allocation Factors	
Agriculture ¹	farm cash receipts	
Forestry	number of employees	
Fishing and Trapping	value of commercial fishing catches	
Mining and Oil	value of production of oil, gas, minerals and structural materials	
Manufacturing	gross revenues and wages and salaries	
Construction	value of all residential, industrial, commercial and government building permits ²	
Transportation and Other Utilities	number of employees	
Wholesale Trade	dollar volume of trade and wages and salaries	
Retail Trade	value of retail trade	
Finance	number of employees	
Services	net sales and receipts and wages and salaries	
Dormant Unspecified	total population	

Notes: 1. No distinction is made between corporate and non-corporate farming.
2. Construction outside of municipal areas is not included; however, the amount is small.

Revenue Guarantee

This guarantee was in effect from 1971 to 1976 to compensate the provinces for loss of revenue from personal and corporate income taxes resulting from tax reform.

¹ For a description of this method see "Regulations to the Income Tax Act" Part IV.

The portion of the guarantee attributable to personal income tax has been added to this tax and the portion attributable to corporate income tax has been added to the corporate income tax receipts.

Mining Profits Tax

The mining profits tax is based on net income from mineral output sold. This tax is distributed according to the value of the output of taxable minerals.

Retail Sales Tax

Revenue from this tax is attributable to a number of trade categories: sales of alcoholic beverages from stores, restaurants and bars; building materials; other retail trade; wholesale trade; manufacturers' purchases; transportation and communications; and other.

Revenue from sales of alcoholic beverages is allocated according to the distribution of sales of Liquor Control Board of Ontario (LCBO) stores and Brewers' Retail Stores. Revenue from building materials is allocated according to the value of building permits. Revenue from other retail trade is allocated according to personal income. Revenue from wholesale trade is allocated according to the volume of wholesale trade. Revenue from manufacturers' purchases is allocated according to manufacturing activity (as defined in the section on corporation taxes). Revenue from transportation and communications is allocated according to the number of telephones. Since telephone revenue comprises over 80 per cent of the category total, this is a reasonable proxy. Revenue from the category "other" is allocated according to population.

Gasoline and Motor Vehicle Fuel Taxes

These taxes are largely based on the quantity of gasoline, diesel fuel and aviation fuel consumed. Gasoline tax is distributed according to the distribution of gasoline delivered by the petroleum industry.

The distribution of deliveries of motor vehicle fuel by the industry is adjusted to account for exemptions from tax for agricultural, industrial and railroad use. The tax is allocated according to this adjusted distribution.

It is estimated that 90 per cent of the aviation fuel tax revenue is derived from Toronto International Airport. About 6.7 per cent comes from Ottawa and the remainder from Thunder Bay.

Tobacco Tax

This tax is based on the quantity of cigarettes and tobacco purchased and the sales value of cigars. The distribution of the tax is based on the value of consumption. The distribution of the value of consumption is estimated using per capita consumption in regional cities and population distributions.

Succession Duties and Estate Taxes

These taxes are based on the value of estates with provisions for certain

exemptions and deductions. Taxes are distributed according to income as a proxy for wealth.

Land Transfer Tax

Land transfer tax is based on the market value of property purchased. This tax can be paid to a regional office in the area where the property purchased is located or paid directly to the Ministry of Revenue. The majority of tax is paid to the regional offices. It is assumed that taxes paid directly to the Ministry are distributionally neutral. And all taxes are distributed according to collections by the regional offices.

Race Tracks Tax

This tax is based on the value of wagers and is distributed accordingly.

Public Utilities Income Tax

Utilities subject to this tax generally service a confined geographical area. Taxes paid by these utilities are allocated to the region where the head office is located.

Other Taxes

Other taxes are distributed according to population.

OHIP Premiums

OHIP premium rates are based on family status. The rate for families of two or more persons is double the rate for single individuals. All persons 65 years of age and over and all social assistance recipients are exempt. Premium assistance is available for those with low incomes. The premiums are allocated according to the distribution of population under 65 years of age.

Liquor Related Revenues

Liquor related revenues refer to LCBO profits, liquor and winery license fees and gallonage fees.

LCBO profits are allocated according to the value of sales of wine, spirits and imported beer by region. Gallonage fees are allocated according to regional domestic beer sales. Winery licences are allocated to Central Ontario where all wineries are located and other license fees are allocated according to sales of wine, spirits and all beer.

Vehicle Registration Fees

The fees for cars are based on number of cylinders, and for trucks on weight. Information about the number of cars by cylinder class and the number of trucks by weight is not available on a regional basis.

Total revenue from all automobile and dual purpose vehicle fees is distributed according to the distribution of these vehicles by region.

Similarly, total revenue from truck fees is distributed according to the regional distribution of trucks.

Total revenue from snowmobile fees is distributed according to the distribution of snowmobiles and total revenue from motorcycle fees is distributed according to the number of motorcycles by region.

Lottery Profits

These revenues are distributed according to the dollar volume of sales of Provincial and Wintario tickets.

Royalties

The Province receives royalties for timber, water power rental, game, oil and gas, and mining. Table C-1 shows the proportion of royalties charged for each resource.

Royalties by Source		Table C-4		
(per cent)				
	1972-73	1974-75	1976-77	
Timber	57.7	61.7	65.3	
Water Rental	38.8	35.3	31.9	
Mining	.4	.3	1.6	
Game	2.3	1.9	.7	
Oil & Gas	.8	.8	.5	
Total	100.0	100.0	100.0	

Source: Ontario Public Accounts.

Timber royalties are allocated according to the number of employees engaged by the forestry industry.

One-third of water power rent is allocated to Central Ontario for Niagara Falls, one-third to Eastern Ontario for the St. Lawrence Seaway and the remainder is allocated evenly between Northeastern and Northwestern Ontario.

Oil and gas royalties are allocated according to the value of output of oil and gas.

Game royalties are allocated according to population.

Mining royalties are allocated according to the value of minerals extracted.

Other Revenues

Other revenues are distributed according to population.

Federal Transfers

Until the new financial arrangements² were negotiated in 1977, the federal government shared the costs of established programs such as hospitals and diagnostic services, medicare, Canada Assistance Plan and post-secondary education. The federal government also made transfers for regional development through the Department of Regional Economic Expansion.

Transfers for post-secondary education are allocated according to grants to colleges and universities.

Transfers through the Canada Assistance Plan are allocated according to transfer payments made by the Ministry of Community and Social Services.

Transfers for regional development are allocated according to the regions for which the grants were made — Eastern and Northern Ontario.

The remaining transfers are allocated according to population.

Interest on Investments

Interest on investments is allocated according to population.

Data Sources

The distribution of *personal income tax* and *Ontario Tax Credits* is obtained from *Taxation Statistics* known as the Green Book published by Revenue Canada — Taxation. The *distribution of income* is also available from this source.

The *payroll totals and gross revenues* (value of shipments plus other revenues) for all industries within the *manufacturing sector* are obtained from *Manufacturing Industries of Canada: Sub-Provincial Areas*, Statistics Canada (31-203). The data are available for only 1972 and 1974. The change in distribution between these two years is almost imperceptible (a 0.27 per cent change at most). Therefore the 1974 distribution is used for 1976.

The volume of *wholesale trade and payroll* is obtained from *1971 Census of Canada: Wholesale Trade*, Statistics Canada (97-723). This is the most recent information available.

The number of *telephone connections* by region is provided by Bell Canada and independant telephone companies.

The *distribution of population* for 1976 is obtained from the 1976 quinquennial census. Distributions in 1972 and 1974 are interpolated from census data.

The value of *output of minerals* is obtained from *Statistics*, published by the Ontario Ministry of Natural Resources.

The volume of gasoline, diesel and aviation fuel sold by region is an industry estimate provided by a large oil company.

² Under the new Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, the provinces receive 13.5 points of personal income tax and one point of corporate income tax and cash equal in value to the tax points to replace transfers for hospitals and diagnostic services, medicare, post secondary education and the revenue guarantee. Of these, the point of corporate income tax and 4.357 points of PIT had already been transferred to the provinces as part of post-secondary education payments.

The per capita *expenditure on tobacco products* is derived from *Urban Family Expenditure, 1974*, Statistics Canada (62-544).

The *distributions of automobiles, trucks, snowmobiles, and motorcycles* by region are obtained from Ministry of Transportation and Communications. The distributions are based on the number of validated permits. Figures are not available for 1974 so 1973 figures are used as a proxy. The most recent data available for the distribution of trucks are 1973. The 1973 distribution, which is the same as that in 1972, is used for all years. *Total revenue from automobiles (including dual purpose), trucks, snowmobiles, and motorcycles* is also obtained from the Ministry of Transportation and Communications.

The distribution of *population over 65* is obtained from estimates done by the Social and Demographic Data Unit in the Ministry of Treasury and Economics.

The distribution of the *value of oil and gas production* is derived from *Oil and Gas Exploration, Drilling and Production Summary* produced by the Ministry of Natural Resources and provincial value of production figures provided by the Ministry.

The distribution of *cash farm receipts* is obtained from the Ministry of Agriculture and Food.

The distribution of *forestry employees* is obtained from the *1971 Census of Canada: Industries*, Statistics Canada (94-741). This is the most recent information available and it is used for all years.

The distribution of the *value of the commercial fish catch* is obtained from *Ontario Commercial Fish Industry: Statistics on Landings, 1971-1975*, a Ministry of Natural Resources publication. The 1975 figures are used to represent the 1976 distribution.

The distribution of the *value of construction* within Ontario municipalities is obtained from *Building Permits*, Statistics Canada (64-203).

The distribution of the value of *wagers at race tracks* is obtained from the *Annual Report of the Ontario Racing Commission*, produced by the Ministry of Consumer and Commercial Relations.

The distribution of *sales of liquor, wine and beer and licences* is provided by the Liquor Control Board of Ontario and Brewers Retail Stores.

The *land transfer tax* collected by the Ministry of Consumer and Commercial Relations by regional office is obtained from the *Report of the Director of Land Registration*.

Appendix D

Distribution of Revenues, 1972-73 **Table D-1**
(dollars per capita)

Revenue Source	North- west	North- east	East	Central	South- west	All Ontario
Personal Income Tax	133	118	150	166	134	154
Corporation Income Tax	46	48	37	64	59	57
Capital & Premium Taxes	7	7	7	12	9	10
Mining Profits Tax	12	24	—	—	—	2
Royalties	33	14	5	1	—	3
Retail Sales Tax	95	81	105	124	106	115
Gasoline & Motor Vehicle Fuel Taxes	137	137	70	49	55	62
Tobacco Tax	10	11	12	13	12	12
Land Transfer Tax	1	2	3	5	3	4
Succession Taxes	10	7	11	11	10	11
Race Tracks Tax	—	—	1	4	5	3
Public Utilities Income Tax	29	—	1	3	13	5
OHIP Premiums	67	69	66	67	65	67
Liquor Related Revenues	49	37	36	32	25	33
Vehicle Registration Fees	23	18	21	22	24	22
Other Revenues	26	26	26	26	26	26
<i>Federal Transfers</i>						
Fed. Transfers for HIDS & Medicare	79	73	93	102	84	95
Fed. Transfers for CAP	36	31	31	25	25	27
Fed. PSE Adjustment	18	11	28	21	18	21
Other Federal Transfers	17	17	17	17	16	17
Interest on Investments	29	29	29	29	29	29
TOTAL	856	760	746	792	719	774

Source: Ontario Treasury estimates.
Note: Sums may not add due to rounding.

Distribution of Revenues, 1974-75
(dollars per capita)

Table D-2

Revenue Source	North- west	North- east	East	Central	South- west	All Ontario
Personal Income Tax	196	172	215	238	201	223
Ontario Tax Credits	(29)	(33)	(34)	(40)	(38)	(38)
Corporation Income Tax	86	90	61	102	96	94
Capital & Premium Taxes	14	14	13	20	16	18
Mining Profits Tax	124	213	—	—	—	19
Royalties	47	19	6	1	1	4
Retail Sales Tax	164	145	171	210	186	195
Gasoline & Motor Vehicle Fuel Taxes	158	158	80	57	67	71
Tobacco Tax	12	12	13	14	13	13
Succession Duties	9	8	10	10	9	10
Land Transfer Tax	3	3	4	7	5	6
Race Tracks Tax	—	—	1	5	6	4
Public Utilities Income Tax	—	—	1	1	2	1
OHIP Premiums	67	73	67	68	66	68
Liquor Related Revenues	54	42	40	40	25	38
Vehicle Registration Fees	24	20	22	23	26	23
Other Revenues	34	34	34	34	34	34
<i>Federal Transfers</i>						
Fed. Transfers for HIDS & Medicare	101	89	111	123	104	115
Economic Development	12	—	3	—	—	1
Fed. Transfers for CAP	51	48	43	35	34	37
Fed. PSE Adjustments	15	11	25	18	16	18
Other Federal Transfers	18	18	18	18	17	18
Interest on Investments	44	44	44	44	44	44
TOTAL	1,205	1,182	947	1,027	930	1,017

Source: Ontario Treasury estimates.

Note: Sums may not add due to rounding.

Distribution of Revenues, 1976-77
(dollars per capita)

Table D-3

Revenue Source	North- west	North- east	East	Central	South- west	All Ontario
Personal Income Tax	267	238	295	338	269	313
Ontario Tax Credits	(39)	(41)	(52)	(51)	(53)	(51)
Corporation Income Tax	104	109	72	120	121	112
Capital & Premium Taxes	18	18	16	25	20	22
Retail Sales Tax	183	170	187	230	205	215
Mining Profits Tax	33	57	—	—	—	5
Royalties	7	35	8	2	2	5
Gasoline & Motor Vehicle Fuel Taxes	159	159	79	57	64	71
Tobacco Tax	13	15	18	20	19	19
Succession Duties	7	6	8	8	7	8
Land Transfer Tax	4	3	5	7	5	6
Race Tracks Tax	—	1	1	6	6	5
Public Utilities Income Tax	—	—	1	—	2	1
OHIP Premiums	93	103	95	97	95	97
Liquor Related Revenues	69	48	52	46	43	46
Lottery Profits	8	10	7	10	8	9
Vehicle Registration Fees	29	28	25	26	32	27
Other Revenues	36	36	36	36	36	36
<i>Federal Transfers</i>						
Fed. Transfers for HIDS & Medicare	143	128	158	182	144	168
Economic Development	26	1	1	—	—	1
Fed. Transfers for CAP	81	75	66	53	51	57
Fed. PSE Adjustment	22	16	33	23	23	24
Other Federal Transfers	20	21	21	21	21	21
Interest on Investments	54	54	54	54	54	54
TOTAL	1,338	1,292	1,187	1,310	1,174	1,272

Source: Ontario Treasury estimates.

Note: Sums may not add due to rounding.



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The redistributive
impact of the Ontario
budget among the five
economic regions.

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